



# NEWS RELEASE

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## ***PROPOSED SBA BUDGET CONTINUES ECONOMIC EXPANSION, ENSURES SAFETY AND SOUNDNESS***

**WASHINGTON** – Testifying before the Senate Small Business Committee today, Administrator Aida Alvarez outlined a budget request of \$1.06 billion for the U.S. Small Business Administration (SBA). Administrator Alvarez called the budget great news for small businesses and the SBA. She told the Committee that the request would deliver record levels of loans and equity assistance, including an \$11.5 billion program level for the agency's flagship 7(a) program, \$3.5 billion for the 504 program, and \$2.5 billion for the Small Business Investment Companies (SBIC).

Describing the SBA's New Markets Initiatives, Administrator Alvarez testified that the New Market Venture Capital program would fill a huge unmet need in America's inner cities, poor rural areas and Native American reservations. "Right now, there are virtually no institutional sources for equity-type capital in these distressed areas." Although the cost of New Markets technical assistance may seem high in the beginning, Administrator Alvarez emphasized that "the costs, which we calculated using the most conservative assumptions, are expected to decline as the Agency develops experience with the program.

"The long-term benefits are expected to be great," she continued. "For example, investment of \$51.7 million should generate between 13,000 and 20,000 direct jobs—at a cost of between \$2,600 and \$4,000 each. If the indirect jobs are included, the cost would be even less.

"Coupled with our desire to sustain unprecedented growth and to penetrate new markets," she continued, "is our solid commitment to maintaining the financial soundness of our portfolio. I'm pleased to report that with respect to safety and soundness, the SBA is more sophisticated than ever."

In FY 1999, the SBA instituted—for the first time—a safety and soundness examination program for the Agency's Small Business Lending Companies and examined all 14. SBA expects to complete a second round of reviews in September. The Agency also has established an Office of Lender Oversight, and a Risk Management Committee. "We have completed our first full cycle of reviews for participants in the Agency's Preferred Lender Program (PLP), and we expect to complete a second round of reviews by April," Administrator Alvarez continued.

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Since 1990, SBA's loan portfolio has grown from \$17.5 billion to about \$50 billion. At the same time, the number of SBA employees has decreased 22 percent—from 4,000 in FY 1990 to about 3,100 now.

The SBA has involved the private sector where it made sense, contracting out or delegating activities that could be performed more effectively elsewhere, Administrator Alvarez said. "This transition has allowed us to downsize, as well as to use staff strategically—for marketing, more complicated financial transactions and loan monitoring, for example."

"All this has been accomplished while keeping our fiscal house in order. We are proud to report a clean opinion in our FY 1998 financial audit report, the highest rating a Federal entity can receive. This was the third year in a row SBA attained the rating from independent auditors. We also expect to obtain a clean opinion when the 1999 report is issued—on time—next week."

The SBA's budget lays out an aggressive agenda to improve the Agency's internal management and infrastructure, including:

- \$13 million for systems modernization and lender oversight and risk management activities;
- \$7 million for information technology infrastructure support; and
- \$4 million to train and transition our workforce.

By this summer, SBA will have completed the first part of Phase I of the Agency's modernization effort. "For the first time, the majority of transactions with our lenders—69 percent of our loans and 79 percent of our loan dollars—will be done electronically," according to Administrator Alvarez.

**For more detailed information on the President's proposed budget for the SBA, please visit the SBA's website at [www.sba.gov](http://www.sba.gov).**

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